



Transportation
Security
Administration

Last Updated: March 13, 2006

Frequently Asked Questions

Question #1: *Please provide a detailed explanation of the process and methodology GAO used to determine the number of screened passengers in 2000 (industry wide and by individual carriers) and TSA's efforts to validate GAO's process, methodology and results. Please provide all supporting data and information.*

Answer: TSA has received GAO's permission to release the detailed process and methodology that were used to determine the number of passengers screened in 2000. TSA posted this information on Tuesday, February 28. This information may be found at <http://www.tsa.gov/public/display?theme=71>.

To ensure the validity of this process and methodology, TSA first ensured each data source utilized in this effort was accurate and comprehensive. TSA then validated that the methodology was sufficient to accurately determine the number of passengers screened in Calendar Year (CY) 2000. The Office of Revenue confirmed that GAO utilized data sources that are widely used by the air carrier industry for the same purpose.

Question #2: *Please describe any assumptions or methodologies in the GAO report that TSA changed and/or expressed disagreement. Please describe any changes by TSA to GAO's assumptions, methodologies or results.*

Answer: TSA accepts the GAO methodology, assumptions and calculations. Preceding the GAO study, the Office of Revenue independently evaluated several possible methodologies for conducting an industry-wide study of passenger and property screening costs in Calendar Year (CY) 2000. TSA shared its findings with GAO when Congress directed the GAO to review CY 2000 passenger and property screening costs.

TSA met with the GAO on several occasions to discuss cost information submitted by air carriers and to review the Office of Revenue's own estimates for CY 2000 costs. TSA extensively assisted GAO in addressing areas of concern with regard to data deficiencies.

TSA also participated in GAO interviews with industry experts and airports as GAO planned its study. TSA provided GAO with guidance on questions that could be asked and on documentation requests of industry experts and airports

alike. Further, TSA reviewed the strengths and weaknesses of the GAO draft report and commented accordingly.

Following the publication of the GAO report, TSA studied the methodology employed and affirmed the integrity of the data collected. TSA independently validated significant aspects of the GAO methodology such as the screened passenger database used to determine per carrier and industry-wide screened passenger estimates for CY 2000. TSA concluded that the GAO report's results provide a sound basis for invoicing air carriers for the underpaid ASIF based on underreporting of air carriers' 2000 costs.

Question #3: *Please identify any Big Four accounting firm(s) that provided an unqualified audit opinion of a carrier's Appendix A submission.*

Answer: Pursuant to section 1511.9 of the Aviation Security Infrastructure Fee Regulation that required each air carrier to submit an audit performed by an independent certified public accountant of the information provided in the 'Appendix A' submission, all of the Big Four Accounting firms provided unqualified opinions: Deloitte & Touche, PriceWaterhouseCoopers, KPMG, and Ernst & Young.

Question #4: *Please provide example(s) of issues that could lead to a successful administrative appeal other than an unqualified audit opinion.*

Answer: Carriers will have until March 15, 2006, to submit supporting material for the review. The request for administrative review and/or the supporting material shall clearly state the basis for the dispute and provide all factual information, documentation, citations to authority, arguments and any other matters to be considered. TSA will consider any relevant factual, legal or other matter a carrier may wish to present.

Question #5: *What authorities govern debt collection at TSA?*

Answer: Government debt collection is generally governed by chapter 37 of title 1, United States Code, as implemented by the Federal Claims Collection Standards (Department of the Treasury—Department of Justice), parts 900-904 of title 31, Code of Federal Regulations (31 CFR parts 900-904), as supplemented by 49 CFR part 89.

Question #6: *In our invoice, it states "If you want to inspect or copy our records related to the debt,... Contact the Office of Revenue". What sort of records will be available? What statute and section does this language refer to?*

Answer: The language in the invoice refers to 49 CFR 89.21(e), which requires an opportunity to inspect and copy records related to the claim. It states—

(e) Except for information that may properly be withheld under 49 CFR part 7, the debtor may inspect and copy the records of the agency related to the claim. Any reasonable

costs associated with the copying and inspection of the records shall be borne by the debtor. The debtor shall give reasonable notice in advance to the agency of the date on which it intends to inspect and copy the records involved;

TSA considers a record “related to a claim” to be a record that is specific to the individual air carrier’s debt. The records that may be inspected are the air carrier’s own ‘Appendix A’ submission; the air carrier’s own independent audit submission; the GAO report (GAO-05-558); and, the detailed methodology that GAO used to develop the passengers screened database.

Question #7: *Do all airlines have Feb 17th as their deadline for submitting supporting material for their Administrative Review, or is there a different deadline if an airline seeks an earlier review?*

Answer: See the answer to question #9 below.

Question #8: *I’ve requested some TSA documents under the Freedom of Information Act. Will I have access to those documents before the deadline to submit materials in support of my administrative appeal?*

Answer: The Freedom of Information Act process is independent of the debt collection administrative review process. Documents related to the debts in question, as described in these FAQs, will be made available outside of the FOIA process. The Freedom of Information Act process may not be complete before the deadline to submit supporting materials has passed.

Question #9: *Will I have any time to consider other documents that provide additional detail regarding the Government Accountability Office (GAO) report before the deadline for providing supporting documentation expires?*

Answer: Yes. For those carriers that requested administrative review of their debts by the February 2nd deadline, TSA has extended the deadline for submitting supporting materials until March 15, 2006, which is 15 calendar days following TSA’s February 28, 2006 notice to the carriers of the GAO’s decision regarding the release of certain documents further describing the GAO methodology. Those documents provide information concerning the detailed process and methodology that GAO used to determine the number of passengers screened in 2000. These documents may be found at <http://www.tsa.gov/public/display?theme=71>.

Question #10: *What payment obligations does an air carrier have if it does not request an administrative review?*

Answer: Air carriers that have not requested an administrative review must pay the amounts as described in the January 3, 2006 notice, or enter into a payment plan with TSA, by February 2, 2006. Debts that remain unpaid will be considered delinquent as of February 3rd and will be subject to interest, penalties, administrative fees and other enforcement actions as described in the January 3,

2006 notice. The deadline for requesting an administrative review was February 2, 2006.

Question #11: *Will interest and penalties be assessed during the administrative review?*

Answer: No. TSA has decided to suspend the accrual of interest on the disputed debts. Interest on these debts will not accrue until 30 calendar days after TSA mails a notification to the carrier that the reviewing official has determined the debt to be valid, in whole or in part. TSA will take no further action against a carrier based on the disputed additional ASIF fees prior to the running of this 30 day period. Any validated debts remaining unpaid after these 30 days have elapsed shall be considered delinquent and subject to interest, penalties and other remedies as outlined in our January 3, 2006 notice to the carriers.

Question #12: *Why did TSA adjust the originally-reported ASIF amount of \$319 million to \$344 million, thereby reducing the industry-wide ASIF underpayment from \$129 million to \$104 million?*

Answer: TSA constructively increased the industry's reported screening costs from \$319 million to \$344 million based on its consideration of certain costs attributable to three categories of air carriers: 1) carriers that existed in 2000, but did not report any ASIF costs; 2) carriers that noted ASIF costs, but did not include those costs in their ASIF calculations; and 3) carriers that reported ASIF costs, but no longer operate.

First, TSA added passenger and property screening costs incurred by 39 air carriers that were engaged in air transportation in 2000 but did not report any costs. These air carriers did not report costs because they ceased operations or were merged with other air carriers. TSA developed passenger and property screening costs for each of these air carriers by multiplying the industry's average cost per passenger screened by their number of passengers screened during calendar year 2000. The GAO report provided the necessary information to derive both the average cost per passenger screened and the number of passengers screened. This adjustment totaled \$18 million, which TSA decided to deem as an addition to the reported \$319 million industry-wide cost of passenger and property screening.

Second, TSA added passenger and property screening costs that air carriers noted on their cost questionnaire (Appendix A) submissions, but did not include as part of the total reported cost of passenger and property screening. Air carriers omitted these costs due to their misinterpretation of the ASIF law and regulation. Five carriers fell into this category. TSA deemed their \$7 million underpayment as an additional increase to the reported \$319 million industry-wide cost of passenger and property screening. These underpayments are currently being pursued through separate actions.

Third, TSA treated air carriers that no longer operate similarly to those air carriers that are currently operating. Specifically, TSA calculated the additional ASIF amounts as if those air carriers are still operating and paying their share of the

ASIF. This treatment kept currently-operating air carriers from bearing the ASIF burden of the defunct carriers. As a result of this decision, TSA allocated ASIF underpayments in the amount of \$840,000 to five carriers that are currently not operating. TSA undertook these actions with the understanding that TSA would likely not collect allocated underpayments from those air carriers.

The first and second decisions together constructively increased the reported industry-wide passenger and property screening costs from \$319 million to \$344 million (\$25 million increase). Thus, these adjustments reduced the industry-wide ASIF underpayment allocation from \$129 million to \$104 million (\$25 million decrease). The third decision allowed for the allocation of \$840,000 of the total industry-wide ASIF underpayment (\$104 million) to non-operating air carriers.

Question #13: *How did TSA allocate this \$25 million reduction in the industry-wide underpayment to individual air carriers?*

Answer: The GAO report determined that the midpoint estimate of the industry-wide costs for passenger and property screening was \$448 million. As detailed in the response to question #12, TSA made certain adjustments that constructively increased the carrier-reported passenger and property screening costs from \$319 million to \$344 million. These adjustments effectively decreased the industry-wide underpayment by \$25 million (from \$129 million to \$104 million) or over 19%. The specific underpayment allocation for any given air carrier reflects the same proportional adjustment.

Question #14: *Will TSA entertain oral administrative review hearings?*

Answer: As a preliminary matter, TSA believes that a fair and comprehensive administrative review process can be accomplished through written correspondence. Absent a request from the debtor and a TSA determination that the question of the indebtedness cannot be resolved by a review of documentary evidence, oral hearings will not be provided. See 31 CFR 901.3(e)(1).

Question #15: *What is the proper address for submission of supporting information for those air carriers that have requested an Administrative Review?*

Answer: Transportation Security Administration
Office of Revenue, TSA-14
601 South 12th Street
West Tower, Floor 12
Arlington, VA 22202
(571) 227-2323

Question #16: *What are the specific requirements for air carriers submitting Administrative Review materials to TSA no later than March 15, 2006.*

Answer: Air carriers must submit legal arguments and/or briefs to TSA no later than close of business on March 15, 2006. These materials may be provided in hard copy or via email using the addresses provided below. Supporting

documentation for the administrative review must be deposited with the United States Postal Service (USPS) or courier service no later than March 15, 2006. TSA is aware that supporting information submitted via USPS or courier service may require one or more additional days for delivery. The proper mailing address is:

Transportation Security Administration
Office of Revenue, TSA-14
601 South 12th Street
West Tower, Floor 12
Arlington, VA 22202

(571) 227-2323 - phone
(571) 227-2904 - fax
tsa-fees@dhs.gov - email